IN THE MATTER OF THE APPLICATION REGARDING CONVERSION OF PREMERA BLUE CROSS AND ITS AFFILIATES

Washington State Insurance Commissioner's Docket # G02-45

PRE-FILED DIRECT TESTIMONY OF:

Barbara J. Dingfield

March 31, 2004

CONFIDENTIAL and PROPRIETARY
NOT FOR PUBLIC DISCLOSURE

I. INTRODUCTION

Q. Please state your name.

A. My name is Barbara J. Dingfield.

Q. Please state your current position and address.

A. I am a consultant with The Giving Practice, a nonprofit consulting service of Philanthropy Northwest, a regional association of grant makers, serving five Northwest states and British Columbia. I reside in Mount Vernon and have a home office there. I also have an office in Seattle at 2505 Third Avenue, Suite 200, Seattle, WA 98121.

II. SUMMARY OF TESTIMONY

Q. Please summarize your testimony.

A. There are three principal points that I make in my testimony.

First, I testify about the results of several discussion sessions with 20 Washington non-profit organizations, foundations and educational institutions that I facilitated at Premera's request in October 2003. At the first meeting, these entities discussed the unmet health care needs in Washington and the possible purposes of the new Washington charitable foundation that would result from Premera's proposed conversion (hereinafter, the "Washington Foundation"). At a subsequent meeting, they discussed the specific purposes that the Washington Foundation could focus on and the process by which it could begin its work. In my testimony I set forth the four categories of significant unmet health care needs in Washington that the participants identified. I also enumerate the general purposes that they thought the Washington Foundation might implement. It should be noted that, when Premera filed its Amended Form A on February 5, 2004, it included those purposes in the Purposes section of the Articles of Incorporation for the

Washington Foundation. I also discuss the suggestions that the participants had for a preliminary set of principles for the operation of the Washington Foundation.

The second point that I make in my testimony involves a review of the planning process that charitable institutions frequently use when they are starting up.

Finally, I provide information about the philanthropic resources that currently might be available from other charitable institutions in Washington to deal with health care needs in our state. Those resources are quite limited in comparison to the endowment that the Washington Foundation would have.

III. PROFESSIONAL QUALIFICATIONS

Q. Please tell us what your formal education is.

A. I have a Bachelor of Arts in Mathematics from Swarthmore College. I then obtained a Masters in Economics from Columbia University.

Q. Give us an overview of the highlights of your professional experience.

A. I started my career in the early 1970's at the Association for Better Housing in Boston. This was a non-profit organization assisting low-income families in becoming homeowners.

I then worked for about seven years for the City of Seattle. I was the Director of Downtown Projects for the Department of Community Development, where I was responsible for redevelopment projects in the Seattle Central Business District. I then became Director of the Office of Policy Planning, where I worked for both Mayor Wes Uhlman and Mayor Charles Royer. As Director, I administered a 65-person office, responsible for an integrated, systematic planning process for Seattle's physical and social development.

I then went to work in the private sector. From 1979 until 1993, I worked at Wright Runstad & Company, which is a developer, owner and manager of large urban office complexes in the western United States. As Executive Vice President and Director, I was responsible for a range of property management matters, including medical office building projects for Swedish Hospital Medical Center.

In 1994, I went to work for Microsoft Corporation, where I was the Director of Community Affairs. In my five years in that position, I was responsible for expanding the strategic philanthropy of the company from a regional to a national and then international program.

Q. What did you do after you left Microsoft?

A. Since leaving Microsoft in 1999 I have been a consultant, providing assistance to public, private, family and corporate giving organizations in areas such as strategic planning, development of giving guidelines and evaluation of programs. As I indicated earlier, my consulting company, The Giving Practice, is a non-profit consulting service of a regional association of grant makers called Philanthropy Northwest.

Q. Have you developed a good understanding of how charitable organizations can and should develop priorities and then implement those priorities?

A. I have. I gained that understanding from my extensive professional experience in both the private and public sectors and from my service on the boards of non-profit organizations, such as the United Way of King County, where I served on the board and then served as Chair.

Q. Are you currently on any Boards?

A. I am. Since 1990, I have been a Director of Safeco Mutual Funds. I'm also on the Board of two non-profits. One is NPower, a national non-profit organization

providing technology assistance and training to other non-profits. The other non-profit is the Board of the YMCA of Greater Seattle.

I'm also on the Steering Committee for Sound Families, which is a program to develop transitional housing that is funded by the Bill & Melinda Gates Foundation.

Q. Have you served on other Boards, Committees and Task Forces in the past?

A. I have. I've been honored to have served on a number of public and private entities, ranging from the Advisory Council of the Northwest Women's Law Center, to the Chair of the Governor's Task Force on Children's Day Care, to the United Way of King County, to the Pacific Medical Center. I was also a Director of Key Bank of Washington.

Q. Have you provided us with a resume?

A. A true and correct copy of my resume is attached hereto as **Exhibit A** and incorporated herein by reference; it will be marked as a Premera Hearing Exhibit.

IV. INVOLVEMENT IN THE CONVERSION HEARING

Q. How did you come to be involved in this hearing?

A. Premera initially contacted me to assist in strategic planning for PremeraCares, the charitable giving program of Premera. After reviewing the experience of our consulting practice, Premera then asked me and my colleagues to assist with developing preliminary approaches in regard to the charitable foundation in Washington that would result from the proposed conversion of Premera from a non-profit to a for-profit.

Q. What is your understanding of what the general purpose of the Washington Foundation would be?

A. It is my understanding that its general purpose would be to promote the health of the residents of the State of Washington.

Q. At the time you became involved, had Premera already begun to explore the issue of assisting in meeting these unmet health needs?

A. Yes. Prior to my involvement, Premera had hosted several meetings of the principals or representatives of nonprofit organizations, foundations and educational institutions which either focus on health care or devote some of their resources to health care related services.

Q. What were you asked to do?

A. Premera asked me, among other things, to assist it in planning and facilitating some meetings at which the nature and scope of Washington's unmet health care needs could be explored.

V. THE OCTOBER 2003 DISCUSSION MEETINGS

A. The Meeting Process and Purpose

Q. What process and activities have you undertaken?

A. On October 2, 2003, I facilitated a meeting of the representatives of the nonprofit organizations, foundations and educational institutions that were invited to discuss the unmet health care needs of Washington and the possible purposes of the Washington Foundation.

On October 30, I facilitated another meeting with many of the same participants to discuss the specific purposes of the Washington Foundation and the process by which it could begin its work.

Q. How would you describe these meetings?

A. I would say they were primarily brainstorming sessions, in which the participants were asked to provide their insights into what some of the major health care needs in Washington are, where the lack of resources are most severe, what the opportunities for

improvement are, and what principles or approaches the Washington Foundation might take to respond to unmet health care needs.

Q. Well, what has happened as a result of these meetings?

A. Premera has prepared the Articles of Incorporation for the Washington Foundation and submitted them as part of its Amended Form A. In Article III, "Purposes and Powers," of the Articles of Incorporation, is a statement of the purposes. This statement was based upon the outcome of the discussions in these two October 2003 meetings.

Q. Do you have any information about the process that was utilized in Alaska regarding the proposed Alaska charitable foundation?

A. I understand that a community group was convened in Alaska; that the name of the proposed Alaska charitable foundation is the "Alaska Health Foundation," that the general purpose of the Alaska Health Foundation is to promote the health of the residents of Alaska; and that the Articles of Incorporation of the Alaska Health Foundation, as set forth in Premera's Amended Form A, include the purposes that were identified by the Alaska community group. However, I did not personally assist with that process in Alaska.

B. The Participants in the Meetings

Q. Who attended the meetings in October?

A. There was a very broad range of organizations that participated in these meetings. We had representatives from the public health community, from the academic community and from the foundation community.

Let me enumerate the 20 represented organizations, in alphabetical order:

- American Diabetes Association

- American Heart Association
- Children's Miracle Network
- Community Health Center of Snohomish County
- Foundation Northwest
- Health Improvement Partnership
- Pacific Lutheran University School of Nursing
- Project Access
- Puget Sound Neighborhood Health Centers
- Seattle Foundation
- Seattle-King County Public Health
- Seattle University School of Nursing
- Spokane Community College School of Nursing
- Susan G. Komen Breast Cancer Foundation
- University of Washington School of Medicine
- University of Washington School of Public Health/Community Medicine
- Washington Dental Service Foundation
- Washington Health Foundation
- Washington State Public Health Association
- Washington State University Intercollegiate College of Nursing

Q. Are there other interested parties whose suggestions you think should also be considered when the Washington Foundation begins to undertake its philanthropic efforts?

A. There clearly are. This effort did not purport to be all-encompassing. I would think that future discussions should include input from a number of groups, including, for example, other health care providers and public officials. The organizations at the October meetings came up with a number of useful ideas. And I'm sure that other community leaders will be able to provide additional ideas and possibly suggest refinements or revisions to the original ideas.

C. The unmet needs that were identified

Q. What was learned about unmet health needs from the meetings with these participants?

A. Participants in the smaller meetings had identified a number of significant unmet health care needs, which can be summarized into four categories:

(1) a shortage of nurses statewide and a shortage of doctors in rural areas;

(2) the lack of access to public health education and basic health care;

(3) the lack of sufficient prevention and wellness education and services; and

(4) the fact that certain health care specialties (mental health, dental and eye care, substance abuse treatment, and even primary care for the under-served) are not included in the health "safety net."

Q. What did you learn about the unmet nursing needs?

A. Meeting participants noted that the nursing shortage was due in part to the fact that there is a shortage of nursing faculty, leading to fewer available nursing student slots and therefore fewer trained nurses.

Q. What was disclosed about the impact of the lack of public health education?

A. Lack of access to public health information and health care is a particular problem among low-income and rural populations. Participants also noted that culturally-sensitive and -appropriate and community-sensitive and -appropriate education and care are needed and that a lack of planning and operations grants aggravates the problem.

Q. What did the participants say about prevention issues?

A. They indicated that the problem is that many people cannot afford screening and increasingly Medicaid doesn't reimburse for prevention strategies. The participants saw prevention as an effective strategy to increase wellness. The prevention strategies discussed included education, outreach, screening and heading off an anticipated researcher shortage in the future.

Q. What about the "safety net issues"?

A. The message from these participants was that the "safety net" was on the verge of being overwhelmed. The areas of particular concern were mental health, dental and vision. But there was also the problem that, as fewer providers are willing or able to provide care, basic care, in addition to sub-specialty care, is at risk.

Q. Were there any other significant observations that the participants made?

A. Yes. The participants noted that local communities have different health issues and that decisions regarding funding should be responsive to local needs around the state. The participants also discussed the potential benefits of having the Washington Foundation select healthcare issues as areas of focus.

D. The First Work Product from the Meetings: A Discussion of Principles that might Guide the Washington Foundation

Q. Did the meeting participants have preliminary recommendations regarding the guiding principles that the Washington Foundation might follow so as to maximize the impact of available dollars on addressing unmet health care needs in Washington?

A. Yes. The participants helped develop the following preliminary set of principles that might guide the Washington Foundation in the future:

(1) Sustainability of initiatives: don't solve only isolated and short-term problems, but look at core solutions that can endure;

(2) Encourage systemic change: think broadly about root causes and determine and then apply a theory of change;

(3) Community-based initiatives and projects: focus on community-based initiatives that can address cultural differences and special populations – as well as unique health issues – in local areas;

(4) Prevention and wellness education: as a tool to address systemic change, provide for education on disease prevention and wellness;

(5) Address statewide needs: all areas of the state should benefit from the charitable organization's funds, both urban and rural, and any competitive process should be structured so that smaller agencies can compete equitably for any funding dollars; and

(6) Seek a "multiplier effect": encourage activities that take advantage of others, such as collaborative health initiatives, matching funds, etc.

E The Second Work Product from the Meetings: A Discussion of Possible Purposes for the Washington Foundation

Q. What did the meeting participants see as the possible purposes for the Washington Foundation?

A. The meeting participants discussed a number of possible purposes that the Washington Foundation might serve. As I noted earlier, these suggested purposes were later included in the Articles of Incorporation of the Washington Foundation.

Q. What do the Articles of Incorporation state about the purposes of the Washington Foundation?

A. Article III states that the Washington Foundation's specific purposes are to "promote the health of the residents of the State of Washington" by such measures as:

> (1) improving health education and awareness;
>
> (2) improving the quality of health care and access to health care and related services;
>
> (3) addressing the unmet health care needs of low-income uninsured and underinsured populations;
>
> (4) supporting the education of health care providers to increase the number of active physicians, including specialists, and nurses in medically underserved areas;
>
> (5) supporting programs aiming to (a) make health care delivery more comprehensive and flexible, and (b) develop and promote the most efficient uses of health care facilities, resources and services;
>
> (6) supporting community based and culturally competent programs that may address one or more of the foregoing purposes;
>
> (7) conducting health policy research and analysis for the development of health policy that will promote systemic change in the programs and activities related to the foregoing purposes; and

(8) providing grants and establishing programs to carry out such purposes.

Q. Did participants have examples of how these purposes might be served?

A. Indeed they did. A number of ideas were suggested regarding ways the Washington Foundation might address the unmet health care needs I previously described. For instance, with regard to nursing and medical training, participants thought that help with recruiting, developing and retaining faculty within nursing and medical schools might help solve that problem. Also, training nurses who wish to serve in their local (rural) communities, possibly through the use of web-based training, as well as more funding for community clinics, might be effective ways to address the severe nursing shortage in smaller communities. Doctors and dentists could be enticed to rural areas by repaying their loans for medical education if they agreed to relocate and establish medical practices in those areas.

Public health education efforts would be most useful if they advocated and supported access to basic, primary health care, so as to reduce the number of emergency room visits with care delivered on an episodic basis. Public health education could also be aimed at adolescent health care, including teen pregnancy, screening of infants, and dental care.

Prevention education and wellness care could focus on reaching specific audiences in a culturally appropriate way, such as African-American, Native American, Pacific Islander, Latino, and other communities. Also, participants suggested that schools could provide an effective delivery system to reach parents to educate them about healthy lifestyle changes and to encourage nutrition and physical education for the students themselves.

The participants also thought the Washington Foundation might provide funds for patients in rural areas who either need help with travel and lodging (for when they have to seek treatment in urban areas) or for mobile service units that serve rural patients by coming to them.

I'm sure that, when others have an opportunity to participate in the discussions, they will come up with additional suggestions about meeting the numerous health care needs that Washington faces.

F. Possible Next Steps

Q. What next steps do you and the other meeting participants have planned?

A. At the conclusion of the meeting on October 30, 2003, we suggested that a planning body or "Advisory Committee" be formally constituted to make recommendations to the Attorney General of the State of Washington regarding the operating principles of the Washington Foundation.

The participants at the meeting were asked for suggestions of chairs for such an Advisory Committee and their interest in participating was solicited. It was recognized that outreach to other health-care "stakeholders" who were not in attendance at these meetings would be appropriate (such as mental health organizations, AIDS/HIV organizations, and county public health officials).

Premera stated that it could facilitate convening this group but would not be an active participant nor would it have a role in the Advisory Committee or in the ongoing Washington Foundation.

Q. Have there been any additional meetings of the discussion group?

A. All of the prior participants were invited to another meeting on March 30th, which was also attended by a representative from the Washington Attorney General's Office. Again, I was asked to facilitate the discussion that took place at that meeting.

VI. THE PLANNING PROCESS GENERALLY USED BY NEW CHARITABLE FOUNDATIONS

Q. As a general matter, what approach, in your experience, do new charitable foundations take as they begin operations?

A. Starting up a new charitable foundation is a multi-faceted and complex task. In the case of the Washington Foundation , it would be prudent to begin with a comprehensive planning process to address the following areas, to the extent that they have not been previously addressed in the Articles of Incorporation and Bylaws of the Washington foundation:

- Undertake a comprehensive scan of the health care needs in the State (using existing data);
- Do research regarding the experience of similar foundations in other states and foundations in Washington and Alaska that address similar needs;
- Prepare a mission statement;
- Prepare a statement of values and grant making principles; and
- Develop general guidelines for grantmaking policies and activities.

VII. THE LIMITS ON CURRENTLY AVAILABLE CHARITABLE RESOURCES FOR HEALTH CARE NEEDS

Q. What is the level of funding that is available from other charitable organizations and organizations for unmet health care needs in Washington?

A. There are relatively limited resources from other charitable organizations and foundations in Washington for unmet health care needs. Also, those that do support health care projects are not exclusively dedicated to such health care purposes.

The Seattle Foundation, the largest community foundation in the region, has an endowment of approximately $300 Million. However, it has a very broad focus for its charitable giving and less than 25% of its annual grant making goes to health care related activities, mostly in the Puget Sound region.

The Paul G. Allen Foundation makes grants to social service organizations, several of which assist people in Washington with health care needs. In 2002, about $1.5 Million was allocated for such purposes; for example, a grant of $150,000 was made to ElderHealth Northwest.

Of course, the most well-known and best-endowed charitable foundation is the Bill & Melinda Gates Foundation. However, as we all know, it funds projects throughout the world. Many of its health care projects are understandably focused on the overwhelming health care problems of third world countries. And much of its work in the United States focuses on another unmet need in our society -- education. The Gates Foundation does support some organizations in Washington that address health care needs.

The Washington Health Foundation and the Comprehensive Health Education Foundation are both smaller entities that make annual grants of under $2 Million to non-

profit organizations which provide health services and education to Washington residents.

So, while I do not mean to in any way question the priorities of these foundations or to diminish the contributions that they make to our communities, the reality is that a well-funded charitable foundation dedicated to dealing with the unmet health care needs of Washington would be of enormous benefit to our citizens.

. . . . . .

Q. Does this conclude your pre-filed direct testimony?

A. Yes, it does.

VERIFICATION

I, BARBARA J. DINGFIELD, declare under penalty of perjury of the laws of the State of Washington that the foregoing answers are true and correct.

Dated this ____ day of March, 2004, at Seattle, Washington.

/s/
BARBARA J. DINGFIELD

BARBARA J. DINGFIELD

Professional Experience

Current	**Consultant, The Giving Practice** Provide assistance to public, private, family and corporate giving organizations with strategic planning, development of giving guidelines, evaluation, and other related services. The Giving Practice is a non-profit consulting service of Philanthropy Northwest, a regional association of grantmakers, serving five Northwest states and British Columbia.
1994 - 1999	**Microsoft Corporation, Redmond, Wa.** Director, Community Affairs. Managed Microsoft's corporate philanthropy program within the Legal and Corporate Affairs Department. Responsible for expanding the strategic philanthropy of the company from a regional program to a national and international program; the annual grant budget grew from $5M to over $25M during my tenure.
1979-1993	**Wright Runstad & Company, Seattle, Wa.** Executive Vice President and Director. Wright Runstad & Co. is a developer, owner and manager of large urban office complexes in the western United States. Responsible for property management, marketing, leasing and tenant work construction. Also, principal responsible for $50M medical office building projects for Swedish Hospital Medical Center.
1973-1979	**City of Seattle** Director, Office of Policy Planning (1977-1979). Chief administrator for 65-person office within the Mayor's Executive Department, responsible for directing an integrated, systematic planning process for Seattle's physical and social development. Appointed by both Mayor Wes Uhlman and Mayor Charles Royer. Department of Community Development (1973-1977). Director of Downtown Projects, responsible for redevelopment projects in the Seattle Central Business District.
1970-1972	**Association for Better Housing, Boston, Ma.** ABH was a non-profit organization assisting low-income families to become homeowners. Responsible for program development, staff management, and agency funding.
1969-1970	**Organization for Social and Technical Innovation, Inc.,** Consulting firm; study of self-help housing methods.

1968-1969 **Harvard Economic Research Project**
Research Assistant to Nobel Prize winner Professor Wassily Leontief.

Education

Bachelor of Arts in Mathematics, Swarthmore College
Master of Arts in Economics, Columbia University

Other Activities

Current: Director, Safeco Mutual Funds (1990 to present)

Board of Directors, NPower (National non-profit organization providing technology assistance and training to other non-profits).
Board of Directors, YMCA of Greater Seattle
Steering Committee, Sound Families (Program to develop transitional housing, funded by the Bill & Melinda Gates Foundation)

Past: Director, Key Bank of Washington (1990-94)
Director, Wright Runstad & Company (1988-94)

Partner, Social Venture Partners (1999 – 2002)
Trustee and Board Chair, United Way of King County (1992 – 2001)
Board of Managers, Swarthmore College (1995 – 99)
Board member, Pacific Northwest Grantmakers Forum (1997 – 99)
Trustee and Board Chair, Seattle Housing Resources Group (1993 – 99)
Chair, United Way Strategic Plan Committee (1993 – 1997)
Trustee, Downtown Seattle Association (1990-94)
Trustee, Seattle Architectural Foundation (1990-91)
Washington World Affairs Fellow (1990)
Trustee, Corporate Council of the Arts (1988-91)
Division Chair, United Way of King County Campaign (1988-91)
Commissioner, Seattle Housing Authority (1989-90)
Chairman, Governor's Task Force on Children's Day Care (1985-86)
Advisory Council, Northwest Women's Law Center (1984-90)
Trustee and Vice Chair, Pacific Medical Center (1981-88)
Mayor's Task Force on Downtown (1981-82)
Chair of Planning Committee, Downtown Seattle Association (1979-1991)
Trustee, YWCA of Seattle-King County (1977-79)